

MULTIMEDIA



UNIVERSITY

STUDENT ID NO

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MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 2, 2016/2017

BSM3804 – STRATEGIC MANAGEMENT

(All sections / Groups)

25 FEBRUARY 2017

9.00 a.m. – 11.00 a.m.

(2 Hours)

INSTRUCTIONS TO STUDENTS

1. This question paper consists of FOUR (4) pages, excluding the cover page.
2. There are THREE (3) questions in Section A, and THREE (3) questions in Section B. Attempt ALL questions. The distribution of marks for each question is as given.
3. Please write all your answer in the Answer Booklet provided.

SECTION A: CASE STUDY (40 MARKS)

Instruction: Read the case carefully and answer ALL three (3) questions at the end of the case. Your answers should not be limited to the content of the case.

OIL PRICE VOLATILITY CONTINUE TO IMPACT PETRONAS

Kuala Lumpur, 22 August 2016 –PETRONAS has recorded RM17.7 billion in Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA), an improvement of 14 per cent from the first quarter of 2016. Cash flows from operating activities also rose by 64 per cent from RM9.7 billion in the first quarter of 2016 to RM15.9 billion. The quarter-on-quarter improvements partly resulted from the Group's transformation efforts and continuous drive to reduce cost, improve efficiency in cash management and sustain world-class operational performance in the current industry environment.

However, volatile oil prices coupled by oversupply and lagging growth demand continued to impact the Group's half year performance as compared to the same period last year. Group pre-tax profit for the half-year ended 30 June 2016 (after taking into account impairments) amounted to RM10.0 billion, a 68 per cent drop from RM31.6 billion achieved in the same period of 2015. The lower number was posted on the back of a RM97.6 billion revenue, which was a 23 per cent decrease from the RM127.5 billion revenue recorded during the first half of 2015.

Cash flows from operating activities for the first six months of 2016 was RM25.6 billion, a 26 per cent drop from the same period last year. Profit after tax (inclusive of impairments) stood at RM6.2 billion for the half-year ended, a 72 per cent dip from RM22.5 billion in the corresponding 2015 period.

The steep decline in performance was the result of lower average realised prices across all products following the downward trend of key benchmark prices (Dated Brent and Japan Customs Cleared Crude (JCC)) prices. This was further impacted by the lower sales volume of crude oil and condensate, processed gas and petroleum products. The decline, however, was partially offset by the effect of favourable US dollar exchange rate against the ringgit.

Profit after tax were mainly impacted by the lower revenue and compounded by higher net impairment on assets. The impact was partially offset by lower product and production costs for the year-to-date. Total assets as at 30 June 2016 decreased to RM567.5 billion compared to RM591.9 billion as at 31 December 2015 primarily due to the weakening US dollar exchange rate against the ringgit.

Shareholder's equity was RM351.6 billion at 30 June 2016, lower by RM23.3 billion from RM374.9 billion recorded at 31 December 2015. This was attributed to the approved RM16 billion dividend for the financial year ended 31 December 2015 and the impact of the weakening US dollar-ringgit exchange rate.

Meanwhile, capital investment as at 30 June 2016 totaled RM25.2 billion, which was mainly attributed to the RAPID Project in Johor, domestic upstream capital expenditure and SAMUR project in Sabah.

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Upstream Business

Total production volume for Malaysia and international for the first half of 2016 was 2.39 million barrels of oil equivalent (BOE) per day, a slight increase compared to 2.33 million BOE per day in the previous corresponding period. The increase was mainly due to higher gas production from fields in Peninsular Malaysia to support the shortfall in imported gas, additional production streams from Indonesia and Algeria, and improved facilities uptime and efficiency in Malaysia and Canada.

For liquefied natural gas (LNG), total LNG sales volume of 14.37 million tonnes for the half-year was lower than 14.96 million tonnes in the previous corresponding period mainly from trading activities. This was offset by new volumes from Gladstone LNG facility in Australia. Malaysia average sales gas volume was 18 mmscfd (or 0.6 per cent) lower than the previous corresponding period due to lower demand.

Downstream Business

The low prices across all products, namely crude, petroleum products and petrochemicals, coupled with the lower sales volume of crude and petroleum products, had impacted the revenue recorded by PETRONAS' downstream activities. Sales volume for petroleum products was 137.6 million barrels, a decrease of 5.8 million barrels from the previous corresponding period due to lower trading activities.

Crude oil sales volume was 104 million barrels, a decrease of 7.4 million barrels compared to the first half-year of 2015. Improved plant performance resulted in higher production volume from the petrochemical sector which contributed to improved sales volume of PETRONAS' petrochemical products. Total sales volume recorded was 3.5 million tonnes, which is 0.3 million tonnes higher than the previous corresponding period.

Current Outlook

Despite a modest recovery in crude oil prices, uncertainties remain due to persistent oversupply and sluggish demand outlook. PETRONAS continues to remain focused in driving efficiency efforts and fiscal discipline in this challenging industry environment. While performance for the rest of 2016 will continue to be impacted by volatility in oil prices, the financial position and liquidity of PETRONAS are expected to remain strong.

Source: <http://www.petronas.com.my/media-relations/media-releases/Pages/article/Q2-2016.aspx>

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- a) Part of the internal assessment process is to analyze the strengths and weaknesses of the organization. Discuss any FIVE (5) strengths and FIVE (5) weaknesses of Petronas.

(10 marks)

- b) Using the points discussed in the previous question, prepare an Internal Factor Evaluation (IFE) matrix for Petronas by using the template below. Calculate and explain the meaning of the Total Weighted Score of the IFE matrix

Key Internal Factors		Weight	Rating	Weighted Score
<i>Strengths</i>				
1.		0.20	4	
2.		0.20	4	
3.		0.18	4	
4.		0.15	4	
5.		0.05	4	
<i>Weaknesses</i>				
1.		0.10	2	
2.		0.05	2	
3.		0.03	1	
4.		0.02	2	
5.		0.02	2	
Total		1.00		

(15 marks)

- c) Describe in detail any THREE (3) strategies that can be implemented by Petronas, and include a specific example of each.

(15 marks)

[Total: 40 marks]

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SECTION B: ESSAY/STRUCTURED QUESTIONS (60 MARKS)

Instruction: There are **THREE (3)** essay questions. Answer **ALL** questions

QUESTION 1

Describe the Boston Consulting Group (BCG) matrix in detail. Prepare a BCG matrix for a real-life company of your choice and describe each category in detail, including examples of the company's products or services.

[Total: 20 marks]

QUESTION 2

- (a) Discuss the importance of an organization's culture as a factor that determines an employee's ethical behavior.

(5 marks)

- (b) In any industry, five competitive forces dictate the rules of competition. Together, these five forces determine industry attractiveness and profitability. Choose an industry of your liking and analyse the industry using Porter's five forces model. Explain your answers in detail.

(15 marks)

[Total: 20 marks]

QUESTION 3

- (a) Compare and contrast **TWO (2)** of Rumelt's four criteria for evaluating strategies.

(5 marks)

- (b) As the newly appointed Chief Executive Officer of Apexus Berhad, you have been tasked to turn around the company into profitability. You are planning to implement various changes at operational and strategic level, but you are noticing a strong resistance from people within the company. Explain in detail any **FIVE (5)** techniques to reduce resistance to change.

(15 marks)

[Total: 20 marks]

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